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The Gazette of India



EXTRAORDINARY

PART I—Section 1

PUBLISHED BY AUTHORITY

No. 45] NEW DELHI, SATURDAY, APRIL 1, 1961/CHAITRA 11, 1883

MINISTRY OF COMMERCE AND INDUSTRY

RESOLUTION

New Delhi, the 30th March 1961

No. 24(29)Tex(D)/60.—The National Industrial Development Corporation set up a Working Group in January, 1960 for the Art Silk Industry. The Working Group comprised of the following members:—

Chairman.

1. Shri N. Majumdar.

Members.

2. Shri D. N. Shroff.
3. Shri I. B. Dutt.
4. Shri K. N. Modi.
5. Shri G. R. Podar.
6. Shri J. G. Vakharia.
7. Shri Surinder M. Mehta.

Secretary.

8. Shri Dharam Dev.

2. The task assigned to the Working Group was to review the present position of the Art Silk Industry and in particular, the condition of its plant and machinery and to make recommendations for the rehabilitation and modernisation, thereof, in as short a time as was feasible and to assess the extent of finances required for modernisation, the sources from which the same could be tapped and also to study other allied problems of the Industry.

3. During the course of its inquiry, the Working Group held discussions with the Industry's representatives and its Associations and labour Unions. The members of the Working Group visited the important Art Silk manufacturing centres in the country for an on the spot study of the conditions prevailing in the Industry and also collected factual data relating to the same from the Industry.

4. The Working Group, has submitted a unanimous report in which it has emphasised the urgency of tackling the problem of rehabilitation and modernisation of the Industry in view of the fact that a substantial part of the machinery installed is obsolete. The Working Group has emphasised that the set-up and organisation of the Industry has developed in an uncoordinated and haphazard way resulting in a lot of wastage of productive forces. Several other factors such as fluctuating demand of the products, lack of technical know-how etc., have also contributed to the present unsatisfactory condition. The recommendations of the Working Group are embodied in the Annexure (I) to this Resolution.

5. Government are generally in agreement with the recommendations of the Working Group. The Working Group has recommended that the indigenous manufacturer of art silk yarn should improve the quality of the yarn produced by them and for this purpose the Indian Standards Institution should lay down suitable standards. It has also been recommended that Government should fix appropriate price differentials for different qualities of yarn. Government have decided to take up the question of laying down standards for the different qualities of yarn with the Indian Standards Institution. Government have already set up a Committee to go into the question of fixing suitable price differentials for the different qualities of yarn.

6. The Working Group has recommended that to meet the demand for varied types of fabrics in the overseas markets, replacement of ordinary powerlooms by automatic powerlooms should be freely permitted in the case of units having 25 or more powerlooms. Government agree that the exports of Art Silk fabrics can be stepped up if the industry has at its disposal the latest specialised equipment. However, in view of the present foreign exchange difficulties it is proposed that permission for import of machinery may be granted only against specific exports and a certain percentage of export earnings made available for replacement of machinery by imported machinery of a type not readily available in the country. Government do not consider that any limit on the number of powerlooms in a unit need be imposed for effecting replacement by modern machinery as recommended by the Working Group.

7. The total expenditure on the rehabilitation and modernisation of the Industry has been estimated by the Working Group at Rs. 15 crores, i.e., about Rs. 12.50 crores for machinery and equipment, and Rs. 2.50 crores towards buildings, installation charges of equipment etc. The Working Group has further assessed that out of the expenditure of Rs. 15 crores, Rs. 9 crores worth of foreign exchange would be required for the import of machinery and equipment. It has also been estimated that out of the anticipated expenditure of Rs. 15 crores on modernisation, the industry will be able to find about Rs. 10 crores from its own resources and Rs. 5 crores may be required from Government lending institutions like the I.F.C. and N.I.D.C. The Working Group has recommended that the N.I.D.C. and I.F.C. should extend assistance to this Industry by relaxation of their standard terms and conditions for grant of financial assistance to enable (i) non-joint stock concerns i.e., partnership and proprietary concerns also to avail themselves of the loan assistance (ii) units in the Industry to mortgage only machinery and plant which are normally owned by them and not the land and buildings. Looking to the general economic condition of this industry, Government do not consider necessary to include it in the rehabilitation and modernisation loan assistance programme of the N.I.D.C. The industry can finance modernisation from its own resources or from I.F.C. and other credit institutions.

8. The Working Group has recommended that the industry could step up exports substantially provided it is rehabilitated and modernised. This necessarily involves considerable outlay of foreign exchange. The Working Group has, however, stated that in view of the present foreign exchange difficulties and in view of the importance of modernisation, the industry should be permitted to import machinery and spare parts against exports under a suitable export incentive Scheme which should be unrelated to the existing scheme for import of yarn against export of cloth. This recommendation, is under the active consideration of Government as Government consider the early modernisation of this industry as necessary.

9. Government have accepted the recommendation of the Working Group—that those units which are able to export their old machinery may be permitted to utilise the export earnings thereof, for import of machinery and equipment for replacement purposes.

10. The Working Group has recommended that exemption from the levy of excise duty should be confined to a unit having one powerloom only which is run by the weaver himself. The exemption limit has been reduced to units with two powerlooms in this year's budget.

11. The recommendation of the Working Group to remove the restrictions on inter-state transfer of powerlooms which have been lying unused for a long time in spite of the best efforts of the State Government, has been accepted.

12. The Working Group has recommended that the Government should take rigid steps with regard to the continued running of unauthorised looms and the physical scrapping of old looms which are replaced by new ones. Government have already decided to take action on these lines.

13. It has been recommended that applications for imports of machinery etc., by individual units should be routed through the Silk and Art Silk Mills Association, who may also appoint a Technical Advisory Committee for the purposes. This recommendation has been accepted by the Government in principle and details are being worked out in consultation with the Textile Commissioner.

14. The Working Group has further recommended that the Organisations of the Industry in each region should appoint a panel of technicians for making available the services of experts to the smaller units. It has been decided by Government to commend this proposal to the Industry.

ORDER

Ordered that the Resolution be published in the Gazette of India.

Ordered also that a copy of the Resolution be communicated to all concerned.

ANNEXURE I

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS MADE IN THE REPORT OF THE WORKING GROUPS FOR THE REHABILITATION AND MODERNISATION OF THE ART SILK INDUSTRY 1960

1. The set up and organisation of the Rayon Industry has developed in such way that there are lot of wastage of productive forces due to un-coordinated, unplanned and haphazard growth of the Industry and several other factors such as fluctuating demand of the products, several controls exercised on the Industry, lack of technical know-how and non-availability of suitable engineers and technicians from time to time

2. The industry in India would be required to pay higher prices for raw materials for long time to come as compared to the manufacturers in other countries like Japan, Italy and U.S.A. These countries have considerable advantage over India and have also firm hold in the export market. They are themselves the manufacturers of the latest types of machinery, dyes and chemicals which India has to import. They have adequate technical back-ground and knowledge and are fully equipped with latest type of powerlooms, preparatory machinery, dyeing and finishing machinery and have the benefit of various design centres and research organisations, laboratories, export organisations, etc

3. With a few exception almost in every unit in Japan and U.S.A., there are fully automatic looms where a girl operative can run anywhere around 64 powerlooms and such establishments have latest High Speed Preparatory and Processing machinery. The condition of the machinery in India as it exists today in majority of concerns is such that it is not possible to deploy more than 4 ordinary powerlooms.

4. The replacement of the existing old machinery in the Industry is essential as majority of plain Calico looms fall short of the requirement of weaving man-made fibres and filament yarn and have different characteristic to natural fibres as such present special Weaving, Dyeing and Finishing problems. In view of the above, all cotton weaving and processing machines are not necessarily the best machines for use in the industry although some can be used without difficulty in both the Industries

5. The Industry has no doubt acquired considerable experience in designing finishing and dyeing of man-made fibres and has started several new types of fabrics but there still is considerable un-covered fields which need to be developed.

6. The study of comparative data from two mills both possessing 40 looms, one with automatic powerlooms and preparatory machinery and another with plain type of powerlooms as are generally in existence in the country, has shown that the former could make a net saving of approximately Rs. 30,000 per annum after making allowances for high interest on the cost of looms and higher premium for depreciation for automatic looms

7. The requirement of Art silk Yarn is being met now to a fairly large extent from indigenous sources and there is every hope that with the progress in the next Five-Year Plan, the quantum of production will steadily rise. It is, however, necessary to improve the quality of yarn. The indigenous manufacturers, therefore, should make every effort to improve the quality of yarn and for that purpose approach the I.S.I. to lay down standards. To some extent, the reluctance on the part of yarn manufacturers to make serious attempts towards improvement of

qualities is attributed to in-adequate differences between the prices of the first quality, second, third and fourth qualities yarn fixed by the Textile Commissioner. The Government should review this position and refix the prices so as to discourage this tendency.

8. The full development, rehabilitation and modernisation of Art Silk Weaving Industry cannot be ensured unless there is a speedy development in the production of raw materials, etc. necessary not only for the weaving industry, but also for the yarn manufacturing industry.

9. A large part of the machinery installed in the weaving units would inevitably go out of commission sooner or later. As such sooner this process of rehabilitation is taken in hand, the better it would be for the industry to play an increasing role in the economy of the nation. (Paragraph 22.)

10. There should be no restrictions on the replacement of the ordinary powerlooms by specialised powerlooms as the industry is required to produce varied types of fabrics for overseas markets. The replacement of the ordinary powerlooms by automatic powerlooms, however, can only be considered when the original units consist of 25 powerlooms or more so as to reap full benefits of mass production techniques as even the smallest size of high speed preparatory machinery can be operated economically for larger units only.

11. The majority of the concerns in the country have not been maintaining the machinery properly. There should be increased awareness in this regard in future as the present economic conditions in this country cannot permit such wastage. It is of paramount importance that the machinery is properly maintained to render maximum service, utility and efficiency.

12. The total estimate of the requirement for rehabilitation would be Rs. 15 crores, i.e. about Rs. 12.50 crores for machinery and the remaining Rs. 2.50 crores for installation buildings, etc. Out of which about Rs. 9 crores would be in the form of imported machinery.

13. It will be possible for the industry to invest out of their own resources approximately Rs. 10 crores for rehabilitation and modernisation and the balance of about Rs. 5 crores to come from the Government Lending Institutions like the National Industrial Development Corporation, Industrial Finance Corporation, etc.

14. The profit earning capacity of the industry would be affected to some extent on account of the interest on loans, higher depreciation allowance to be made for the machinery to be installed, etc. There would however, be no appreciable difficulty for the industry to meet such additional charges as the increased productivity from machines and the consequent reduction in labour costs and improvement in quality of fabrics will enable the industry to recover such increased expenditure. The Development Rebate which allows 25 per cent. of the fresh investment being admitted as a revenue expenditure will also to a considerable extent off-set the burden.

15. It would be necessary to relax some of the existing conditions for grant of loans from Government Lending Institutes as under:—

(a) Partnership and private ownership firms should be eligible for loans;

(b) In the Rayon Weaving Industry, land and building do not belong to the units or the owner of the units. It will thus be necessary to delete such provision requiring the borrower to mortgage the property.

16. It is desirable to introduce a scheme for grant of short term loan for the Rayon Industry on the line of the scheme introduced for Cotton Textile Industry which provides grant of loans for replacement of the existing plant and equipment by new indigenous machines on hire purchase basis, the new machinery remaining the property of the NIDC until the entire loan is paid back with interest. The scheme to be introduced for Rayon Industry would need slight modifications to cover imported machinery. It will also be desirable to constitute an Advisory Committee under the N.I.D.C. similar to the one for Cotton Textile Industry to scrutinise applications for loan of this industry.

17. It would be possible for the Industry to step up exports up to Rs. 8 to 9 crores per annum from the present level of Rs. 5 crores per annum. This can be done if the industry is rehabilitated and equipped with the latest labour saving equipment thereby effecting increase in productivity and simultaneous decrease in the cost of manufacture better quality production lines, etc.

18. Having regard to the present foreign exchange position, the only alternative whereby reasonable modernisation can be expected in the course of next Five Year Plan would be to frame an Export Incentive Scheme linking the import of machinery with the export of cloth. The percentage of entitlement under the scheme to be so propounded will, vary continuously which would be higher in the first year and gradually going down as the export increases. The Government may consider the feasibility of introduction of such a scheme which could be reviewed at least once every year. The linking of machinery with the exports of fabrics should however be unrelated to the import of yarn against export of cloth.

19. The other exporting countries are very actively engaged towards popularising their products through various channels, both by publicity and propaganda and by personal contacts with the overseas buyers. Quite apart from the grant of incentives on lines on which raw material is being granted to the indigenous industry, the other competing countries especially Japan has made several other provisions such as grant of tax exemption on the products exported and certain other countries are granting preferential exchange rates against exports of their finished products. It is not possible for the Government to consider similar facilities for exports of Artsilk cloth from this country, but as the Indian industry has to compete against such odds, it is all the more necessary that the Export Incentive Scheme should have provision for a more liberal import of machinery.

20. It is considered that essential expenditure on spare parts should be the first charge on foreign exchange resources and the Government should consider the feasibility of making adequate provision for the same as any negligence in this regard will eventually result in greater expenditure of foreign exchange.

21. It is recommended that if any firm succeeds in exporting its old machinery, the benefit of foreign exchange thus earned be made available to such units for replacement of their old machinery.

22. It is not apprehended that there would be any retrenchment of the workers due to modernisation and rehabilitation of the industry as target of production of Rayon Cloth have been substantively enhanced for the Third Five-Year Plan period. Apart from the increase in production, it is expected that there would be considerable increase in the processing capacity in the course of next Five-Year Plan which is likely to result in additional employment rather than any displacement of labour.

23. The labour representative at Amritsar agreed to the programme of rehabilitation by the industry as long as this was done as per the decision made in the Fifteenth Session of the Indian Labour Conference held in June 1957. The industry did not express any difficulty in the implementation of such decisions.

24. There has been considerable fragmentation of the Industry due to present structure of Excise duty particularly exemption granted to first four powerlooms. This problem is connected with modernisation, as smaller units cannot be expected to run economically and reap full advantage of Rehabilitations. Quite apart from above fragmentation has serious repercussions on the quality of products, control and distribution of raw materials, enforcement of legal obligations such as payment of fair wages and other amenities to labour and considerable loss of Revenue to Government. Having regard to all the above factors there is justifiable case for revision of the Excise duty in a manner so that only such units get Exemption which consist of one powerloom and is run by weavers himself.

25. There are number of units which are lying closed from time to time. The owners of such powerlooms are willing to transfer the ownership to other parties who have necessary financial resources for undertaking a thorough renovation of the machinery and restarting the units provided they were permitted to shift the location to places of their choice, may be in a different State, but because of the reluctance on the part of the State Government concerned, this was not possible. While Government's policy restricting inter-State transfer of units without the approval of the State Government concerned is agreeable, it is however considered that if after a reasonable lapse of time and despite the best efforts of the State Government closed unit could not be restarted in the same State, restriction on inter-State transfer should be lifted. If this is not done, no rehabilitation of the closed units is possible.

26. The Government of India should adopt a rigid policy with regard to continuation of running of unregistered powerlooms in the country as these powerlooms owing to their age and condition not only produce sub-standard qualities but the units having them also have to pay higher prices for raw materials which can only be compensated by further deteriorating the qualities. The

existence of such large number of unauthorised units tends to have a very bad effect on the industry as a whole, its productive capacity, employment position, quality of goods produced, etc. As one of the most common way in which unauthorised sector grows is by acquisition pre-requisite for allowing replacement of the existing machinery should be that the undertaking who want to do so should agree to physically scrap the existing powerlooms. It is also considered that there should be an Inspectorate appointed by the Textile Commissioner entrusted with this task, otherwise there is likely to be expansion in the industry which is not at all desirable and defeats the entire purpose of rehabilitation and modernisation of the industry.

27. It will greatly facilitate examination of the applications for either import of machinery, etc., or technical assistance for rehabilitation and modernisation of individual units if such applications are routed through Silk and Art Silk Mills' Research Association, Bombay. It would be desirable if the Research Association appoints a Technical Advisory Committee for this purpose and at least application of those units who have 100 or fewer powerlooms are channelled through this Advisory Committee.

28. There is considerable shortage of properly trained technicians in this Industry. The need for the same will grow with the increase in the productive capacity and enlargement of the specialised export demand. It is, however, not possible for a good number of relatively smaller units to engage experienced technicians. In order that such units are not completely denied the services of experts, there should be a panel of technicians for each important region in the country which can be appointed by the Associations concerned who should be entrusted with the charge of giving technical advice to smaller sector of the Industry.

29. The Industry can play a vital role in the economy of the nation, by giving large-scale employment to workers, meeting the internal demand for cloth and also substantively increasing exports. There has been phenomenal increase of production throughout the world for the FABRICS produced from Man-made Fibres. The industry in India can also develop on modern lines if Rehabilitation is effected.

C. S. RAMACHANDRAN, Joint Secy.